

EXHIBIT 1

NOTES/EXCERPTS FROM SANTA FE NEWSCLIPS

April 2000, Associated Press:

Santa Fe markets "Natural American Spirit" tobacco cigarettes and tobacco-free herbal cigarettes. *The government alleged that the company tried to portray their cigarettes as safer with the claim that "Native Americans smoked all-natural tobacco without the ills that are associated with smoking today."*

1997, Indian Country Today:

The company has also used testimonials in mail-order literature from customers claiming the cigarettes helped them quit smoking. It sent results of a survey to its customers which said the majority of American Spirit customers smoke less than their old brand, some as much as 50 to 70 percent less.

Another document sent to customers were statements from Michio Kushi, who the literature called "America's leading Natural Foods teacher," which said: "For centuries the North American Indians have smoked tobacco without developing cancer, and have utilized the plant for many medicinal purposes." ...

[comment from Michael Campbell, a lawyer for Santa Fe:]

"We did not deny anywhere that nicotine is or is not addictive," he said.

He also said Santa Fe Natural has not engaged in activities that some larger manufacturers are accused of doing, such as targeting children in advertising campaigns, or injecting additional nicotine into cigarettes to make them more addictive.

Sept. 2001, Durham Herald-Sun:

People for the Ethical Treatment of Animals has recognized Santa Fe Natural Tobacco Co., maker of Natural American Spirit additive-free tobacco products, for *not testing its products on animals.*

"Santa Fe has clearly taken a step forward in the industry," PETA spokesman Jay Kelly said Wednesday.

"They deserve a pat on the back for this decision because it's a step that the largest cigarette companies like Phillip Morris and R.J. Reynolds have refused to take," he said...

Ron Tully, the company's vice-president of public affairs, said Santa Fe's policy is not new. *The company even spells it out on its packaging.*

June 2001, Santa Fe press release:

As a small manufacturer, we depend on consumer-direct orders as an important means of reaching adult smokers who otherwise would be unaware of, or unable to obtain, our premium-quality product. While our volume of consumer-direct sales is small, we believe the ability to make such sales is important to our business and also contributes significantly to the success of the local retailers and distributors who have chosen to carry our product...

* *Santa Fe has never allowed its products to be sold in vending machines,* because of the difficulty of limiting access by minors to them.

* *Santa Fe labels every pack of its cigarettes with the legend "Sale To Minors Prohibited,"* and was the first tobacco company to do so.

* For many years, Santa Fe prohibited any sale of its products to or through chain stores because it lacked confidence that such mass merchandisers, who often displayed products on large, unattended customer self-service displays, could adequately prevent access by minors. Santa Fe only began selling to chain stores in the last four years, after federal regulations began to require retailers to request ID from any purchaser who appeared to be under 27 years of age.

* Specifically with respect to direct orders from consumers, when the first direct order is placed by a consumer, Santa Fe requires a signed certification from that consumer that he or she is an adult, accompanied by a copy of that individual's driver's license or other government identification.

... Even though we have a product that is superior to that of the major commercial cigarette companies, a small company like Santa Fe Natural Tobacco Company simply cannot get its product on most retail shelves today because the major tobacco companies are buying up most of the available retail shelf space. Direct shipment to the consumer is an essential tool for us to be able to reach those adults who have chosen to smoke and offer them a high-quality alternative to traditional cigarettes.

July 2001, Albuquerque Tribune:

Santa Fe Natural now requires a proof of purchase from another brand, shipping fees and a copy of a driver's license. The company will ship only to the address on the license.

... "It is essential for us to have access to individually educate our customers about our products, one on one," he says. "That drives demand through the other channels, like retail. Without consumer direct sales, retailers won't get people saying, 'Guy, won't you carry this?'"

... Since 1983, the company has sold "natural" cigarettes made with whole-leaf and not reconstituted tobacco, which does not contain stems, flavorings and humectants found in regular cigarettes. Smokers say the cigarettes taste better and last longer.

... *All the tobacco for Santa Fe Natural's cigarettes is grown with a special proprietary process called purity residue clean tobacco. It may use some treatments, but the residue must be biodegradable by the time the tobacco is tested.*

...The company has no plans to sell out to the bigger companies, despite rumors to that effect.

"These rumors are engendered by those companies themselves," Sommers says. "If we were taken over by the majors, that would endanger our credibility."

Sept. 2000, Charlotte Observer (Stella Hopkins story)

John Travolta puffed American Spirits in the movie "Broken Arrow," and the additive-free -- but no safer -- cigarettes showed up on TV's "Seinfeld." Photos show Leonardo di Caprio and Johnny Depp with the boutique butts. During a recent interview, Jerry Hall -- super model and Mick Jagger's ex, now playing "The Graduate's" Mrs. Robinson in London -- lighted up an American Spirit.

The cigarettes, their wrappers printed with American Indian imagery, are the only ones sold at Rainbow Path, a Charlotte *health food store*. And the principal shareholder of the company making American Spirits is a nonsmoker who espouses a reverential approach to smoking and says people should smoke less in what he calls the "new age of smoking."

"We're trying to create a whole new cultural mindset for the use of tobacco, where people realize they don't have to chain-smoke," said Robin Sommers, chief executive of Santa Fe Natural Tobacco Co., based in its namesake city in New Mexico. "The message we've tried to impart is, use tobacco the way American Indians traditionally used tobacco."

... Santa Fe also pays farmers about twice the going rate for organically grown tobacco. Of course, growing organic is a lot more work -- hoeing and tending by hand, no easy chemical fixes for disease and bug infestations.

Sept. 2000, Charlotte Observer (Stella Hopkins story -- continued)

...In addition to being additive-free, the cigarettes also use no fillers, such as stems, so they contain more tobacco. That means considerably higher levels of tar and nicotine.

... "People are going to smoke, I don't care what you do, so let's make the best product for people who have chosen to smoke or can't stop smoking," Sommers said. "We look at ourselves as doing something quite meaningful in addition to the sheer capitalistic aspect."

There have never been American Spirit billboards. Santa Fe's promotional efforts don't include its version of Winston Cup racing, the Marlboro Man, Joe Camel or Virginia Slims babes. Santa Fe started with direct mailing to potential customers, hawking the cigarette as a link to tobacco's spiritual past with the American Indians. Black-and-white ads in alternative magazines such as Mother Earth News, Utne Reader and Whole Earth Review followed.

The distinctive packaging -- an Indian in headdress, smoking a peace pipe -- and the marketing tie-in to Indians' tobacco use has drawn criticism from Native Americans.

"It's a company exploiting the imagery of Indians to promote a commercial product, which to Native Americans is sensitive because tobacco is spiritual," said David Melmer, editor of Indian Country Today, a national weekly newspaper based in Rapid City, S.D. "It's exploiting the imagery of a stereotypical Indian rather than the Indian of today.

"They don't want Indian people to be modern, to walk in today's world. They like to keep them in feathers and leathers because it makes everybody happy. It tends to hold a nation of people in the 19th century."

Sommers dismisses claims that the brand offends Indians and says the company has good relations with the American Indian community. Through a separate foundation, the company donates 5 cents for every carton sold to Indian educational, cultural and arts groups. The company also is funding an endowment and gives cured tobacco leaf for use in Indian ceremonies.

...Packs of American Spirits say the cigarettes aren't any less hazardous than others. Still, public health officials have decried the additive-free marketing angle of American Spirits and similar brands as just a sales ploy -- and perhaps even more dangerous than more common advertising.

... With a market share of less than half a percent, Santa Fe is hardly a threat to Big Tobacco, although company officials like to take credit for what they see as mainstream imitators. They point to Winston-Salem-based R.J. Reynolds Tobacco's "No Bull" campaign for its additive-free Winston cigarettes and the burgeoning use of natural rather than synthetic menthol.

From the Santa Fe Website:

The Pow-Wow Blend is a ceremonial pipe blend of additive-free, whole leaf, natural tobacco and *the following pure herbs and botanicals: Sage, Red Willow, Bearberry, and Yerba Buena (spearmint)*. Natural American Spirit Pow-Wow Blend is packaged in patent-pending 40 gram, resealable pouches that feature an airtight zipper closure, which is designed to lock in the natural freshness of our additive-free tobacco... every time you close the pouch!

June 2000, Tobacco Retailer:

Santa Fe Natural Tobacco Company, Inc., based in Santa Fe, N.M., and Alternative Cigarettes, Inc., based in Buffalo, N.Y. have agreed to settle Federal Trade Commission charges that ads for their cigarettes are deceptive. *Santa Fe markets Natural American Spirit tobacco cigarettes, and also sold tobacco-free herbal cigarettes...*

The FTC alleged that the two companies implied in their advertisements, without a reasonable basis, that their tobacco-containing cigarettes are safer to smoke than other cigarettes because they contain no additives...

Under separate settlements, which the FTC has accepted for public comment, *the companies have agreed to disclose prominently in future ads that make a "no additives" claim: "No additives in our tobacco does NOT mean a safer cigarette."* Both companies have also agreed to disclose prominently on packages and in ads for herbal cigarettes that: "Herbal cigarettes are dangerous to your health. They produce tar and carbon monoxide."

From the Santa Fe website FAQ's:

I understand you have had to withdraw your herbal cigarettes in the orange pack from the market. They were the best! Do you plan to make them available again?

Non-tobacco Natural American Spirit Herbal Filter Cigarettes are not currently available, but we plan to re-introduce them in the coming months...

In late 1998, Santa Fe Natural Tobacco Company (SFNTC) agreed to join the Master Settlement Agreement negotiated by the major tobacco companies and the National Association of Attorneys General. This agreement was designed to settle numerous individual state lawsuits that had been brought against the major tobacco companies. While most small companies, such as SFNTC were not the target of these lawsuits, the provisions of the Master Settlement Agreement made it almost impossible for small companies not to join the settlement.

One provision of the settlement document prohibited tobacco companies from using a tobacco product brand name on a non-tobacco product. Accordingly, Natural American Spirit Herbal Cigarettes – which contained no tobacco – were withdrawn from the market.

Currently, we are not able to give you an approximate timeframe for the re-introduction of our herbal cigarettes. However, we will inform all Natural American Spirit direct mail order customers, retailers, and distributors as soon as they are again available.

December 1998, Tobacco Retailer:

Natural American Spirit introduces its first tobacco-free cigarette. The cigarettes, which contain cornsilk, yerba santa, licorice, mullein, coltsfoot and horehound, have been carefully blended to provide a soothing, satisfying smoke for people we do not wish to smoke tobacco.

April 2000:

Robin Sommers, president and chief executive officer of Santa Fe Natural, said in a written statement that the company voluntarily began placing a disclosure statement on its packages as early as 1997 but agreed to the changes requested by the FTC for the sake of uniformity on industry warning labels.

"We do not agree that any of our past additive-free statements were deceptive or misleading in any way," Sommers said. "We believed at the time, and we continue to believe, that these statements are the most accurate, truthful tobacco disclosure statements in the industry."

March 2000, Village Voice:

The product logo--a smoking, head-dressed Native American--is meant to reflect the idea that "*tobacco is a powerful herb* worthy of the respect accorded it in Native American tradition," as the Santa Fe Web site describes it.

... All of which is not to doubt the organic credentials of the new smoke. *Santa Fe's organic tobacco (which represents about 5 percent of all the tobacco the company sells) is grown according to certified organic standards, which means that the farming involves no chemical fertilizers or pesticides.* There is little question that organic farming can benefit the earth. Rotating crops between fields ultimately improves soil fertility. And keeping chemicals out of the process protects wildlife, water, and soil.

From the Santa Fe website - "customer testimonials":

1. "The best tobacco in the world"-SB, California
2. "I've enjoyed half my life as a smoker and have smoked many kinds of cigarettes... however, I never smoked a real cigarette until... I smoked Natural American Spirit"-LT, Pennsylvania
3. "I've been a regular customer of SFNTC for about 4-5 years and I haven't found any other tobacco products that are of the same quality... or that truly live up to having only natural ingredients and no additives! "-GH, Florida
4. "Excellent smoke, please keep it additive-free and natural"-MJ, Colorado
5. "Thanks for being! I always attempt to convert other smokers to Natural American Spirit."-DK, Connecticut
6. "American Spirits are the greatest cigarettes! Many of my friends are converts."-SM, North Carolina
7. "Good, 'straight' tasting smoke!"-WR, Connecticut
8. "Your cigarettes are the best in the industry!"-AR, Connecticut
9. "Natural American Spirit Cigarettes are the only cigarettes I smoke and they are the only ones I will continue to smoke 'till I quit!"-JMP, Washington
10. "Thank you for providing chemical-free tobacco."-LMC, Michigan
11. "Great product...this is the only tobacco I enjoy!"-AS, Pennsylvania
12. "I have tried plenty of cigarettes - by far, your brand is THE best flavor!"-DW, California

February 1995, Palm Beach Post:

... [American] Spirits are sold in smoke shops, newsstands, natural food stores and trendy cafes - including West Palm Beach's Little Eagle shop and Greene's Drug Store. And though no evidence exists - and the company doesn't claim - that Spirits are any less dangerous than mainstream cigarettes, they appeal to smokers turned on by a new-agey, alternative consciousness and who are concerned about their health, even if resigned to their addiction.

... The cigarettes sell well in such progressive cities as Seattle, San Francisco and Boulder, Colo., and in liberal college towns such as Madison, Wis., and Berkeley, Calif. And the company shows some concern for the environment; it wants to replace its papers, now made from flax fiber, calcium carbonate and citric acid, with unbleached cigarette papers.

September 1998, Santa Fe New Mexican:

The editors of Advertising Age magazine have honored Santa Fe Natural Tobacco Co. President and CEO Robin Sommers as one of the nation's 100 top marketers for establishing and repositioning the company's Natural American Spirit tobacco products.

July 1998, World Tobacco:

...As a small producer, the company did not have the clout nor the capital to go into the same distribution channels as the mainstream tobacco products were in, nor did it really want to. Instead, in 1987, Mr Sommers used his experience of direct marketing, gained at Newsweek, to get through to his target market. Advertisements were placed in selected publications in the US aimed at those interested in spiritual and macrobiotic issues, and invited them to send for a sample of the product. From this small foundation, an increasing base of dedicated consumers was created. Distribution was then extended into health food and herb stores. Although there were enquiries at that time, a conscious decision was made not to sell in convenience stores. "It was not the right context for the product," said Mr Sommers. Now, the company sells through 4,000 independently owned speciality retailers in the US but includes a ban on sales through vending machines in all its distributor agreements.

... Natural American Spirit cigarettes will be sold in outlets such as record stores, bookshops, organic food stores and the national specialist drinks retailer, Oddbins. In the UK, specially printed packs contain a toll free number through which smokers can find out more information, including details of their nearest stockist, or even order directly. The only brand available at first in the UK will be the 12 mg version, to accord with EU legislation.

[NOTE: Current EU law sets a maximum tar limit of 12mg per cigarette. In May 2001, the European parliament adopted a new directive which set the following new maximums, effective January 1, 2004: 10mg per cigarette tar, 1 mg per cigarette nicotine, and 10mg per cigarette carbon monoxide.]

...Santa Fe Natural Tobacco is wrong in claiming that it does not use image advertising, criticising the association of a brand name with a cultural ideal and citing the rugged cowboy as an example. In the sense that it does not use conventional media or sponsorship it can fairly make that claim, but media is not the only means of communication and, as tobacco advertising becomes more regulated, the pack will become the main communicator. The Natural American Spirit pack design carries a potent cultural icon, a stylised image of the stereotypical Plains Indian in full feather head-dress smoking a pipe of peace in front of a large red disc, possibly a setting sun... There is another reality, as several Native American Indian organisations have pointed out, that, in the past, Indians used tobacco almost exclusively for ceremonial and medicinal purposes. Furthermore, they are very upset about what they see as the exploitation of their sacred symbols and ceremonial practices for the marketing of cigarettes and other products.

...Consumers certainly seem to notice a distinct difference between Natural American Spirit cigarettes and their mass market counterparts. The cigarettes are strong -- the full strength version weighs in at: a hefty 19 mg of tar and the lights at 12 mg of tar with 1.6 mg of nicotine. It is hardly surprising that some claim to smoke fewer Natural American Spirit than other brands, which has encouraged the company to register the phrase "Smoke less and enjoy it more". Other differences, too, convince smokers that these are no ordinary cigarettes. The taste is distinctive and, as they contain more tobacco, they are harder to draw. There is less side-stream aroma and, when they are left burning in an ashtray, they go out by themselves. And they cost more -- some 15% more than full-price brands.

April 1998, The Santa Fe New Mexican:

Tully also said many of the issues involved in the tobacco negotiations don't apply to Santa Fe Natural Tobacco Co.

"We don't market to kids, we don't have additives in our cigarettes, we don't adjust the level of nicotine," he said. "We've never been a member of the Tobacco Institute or colluded with other tobacco manufacturers. And yet we were being drawn into a settlement because of those problems."

Santa Fe Natural Tobacco Co. doesn't dispute that there are health risks associated with smoking, Tully said, nor does it disagree with a 1988 report by the U.S. surgeon general that smoking is addictive.

March 1998, The Independent (London):

...The Santa Fe Natural Tobacco Company has just launched Natural American Spirit Cigarettes in Britain, under the slogan "Smoke less and enjoy it more". Natural American Spirit are free of chemical additives such as benzene and saltpetre, tobacco scraps, and artificial flavourings (the manufacturers recommend keeping them in the fridge for added freshness). They already cost pounds 4 per pack, but because they contain more pure tobacco than other brands, smokers are supposed to feel the urge to smoke fewer of them. (Also, the fact that the tobacco is not "puffed" to make it more airy means that actually smoking them is harder work.)

Getting hold of them in the shops, however, can be a problem. They are a somewhat exclusive brand, currently available in this country at Harvey Nichols and a handful of other outlets (and via mail order). *Johnny Depp, Courtney Love, Sean Penn, Mark Wahlberg, Jude Law, David Lynch, Robin Wright and Liv Tyler have all been spotted with the distinctive sky-blue packet, featuring an Indian chief in silhouette.*

... Critics have accused the microbranders of deliberately targeting younger smokers; but *Robin Sommers, founder of the company, points to his policy of not selling in vending machines, supermarkets or convenience-store chains, to make the cigarettes less easy for under-age smokers to buy.* "The issue is that people are not going to stop smoking," Sommers has said. "Let's provide the best possible alternative."

Sommers himself is a non-smoker; a fact that has been picked up on in some biting editorial. "The Easter Bunny lives! And these cigarettes are healthier!" snorted Newsweek; while Forbes business magazine speculated that American Spirit smokers are "maybe just stupid". [Note: we are searching for the Newsweek and Forbes articles.]

January 1998, Santa Fe New Mexican:

The New Mexican on Wednesday erroneously reported that Natural American Spirit cigarettes are sold at Wild Oats and Alfalfa's in Santa Fe. John Macker of marketing at Wild Oats said *the stores took the cigarettes off the shelves at least a year ago after customers complained about the stores selling any tobacco products.*

January 1998, Santa Fe New Mexican:

...The company concedes its cigarettes have higher tar and nicotine levels than leading commercial brands. According to figures supplied by the company and from the Federal Trade Commission, *American Spirit's tar levels are 21 milligrams per cigarette, compared to the average of 12 milligrams from a test of 1,249 varieties. The company's nicotine level is 2.2 milligrams per cigarette compared to the average of 0.87.*

The Surgeon General has determined that tar is carcinogenic and that nicotine causes addiction and may also be carcinogenic. *But company officials have said they are unaware of whether nicotine is addictive, according to testimony.*

The company wrote in a letter to customers that "we want to stress that we do not believe the issue of tar and nicotine is as important an issue in the controversy over smoking as chemical additives. We do believe that the mainstream tobacco companies have focused their promotional efforts on tar and nicotine levels in an attempt to divert public attention away from additives in cigarettes."

Company owner Robin Sommers was also quoted with a similar statement in the Organic Times.

Campbell defended the statements, saying they are only company's opinions. He cited no factual basis for the statements and said it is the state's burden to disprove them.

... Bardacke also blasted the company's use of Indian imagery and legends concerning the origins of tobacco in its mail-order literature. One legend from the Cariri Indians of South America said "When the people smoked tobacco, they spoke with god." ... A company spokesman on Tuesday said the company has ceased using the Indian legends in its advertising.

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